

**CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI**

REGIONAL BENCH – COURT No. III

Excise Appeal Nos. 42242 to 42245 of 2016

(Arising out of Order-in-Appeal Nos. 37-40/2016 dated 22.07.2016 passed by Commissioner of Central Excise and Service Tax (Appeals), No. 1775, J.N. Road, Anna Nagar, [W] Extn., Chennai – 600 101)

M/s. GE T&D India Ltd.

(Formerly known as Alston T&D India Ltd.),
FSSC Building, 19/1, GST Road,
Pallavaram,
Chennai – 600 043.

...Appellant

Versus

Commissioner of GST and Central Excise

Chennai Outer Commissionerate,
Newry Towers, 2054/1,
II Avenue, 12th Main Road,
Anna Nagar,
Chennai – 600 040.

...Respondent

APPEARANCE:

For the Appellant : Mr. Joseph Prabhakar, Advocate

For the Respondent : Mr. M. Selvakumar, Authorised Representative

CORAM:

HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)

HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)

FINAL ORDER Nos. 40193-40196 / 2026

DATE OF HEARING : 04.11.2025

DATE OF DECISION : 04.02.2026

Per Mr. VASA SESHAGIRI RAO

This Appeal is filed by M/s G.E.T& D Ltd, Chennai
(hereinafter referred to as 'Appellant' for short) against the
Orders-in-Appeal No 37-40/2016 dated 22.07.2016

(hereinafter referred to as 'Impugned Order') passed by the Commissioner (Appeals) LTU, Chennai.

2.1 The Appellant is a manufacturer of electrical / transmission equipment. During audit of Accounts , the department noticed CENVAT credit taken on various services principally: (i) escort/security personnel deputed along with goods to customer sites; (ii) manpower for gardening; (iii) services of agencies for collection of C-Forms and payments; (iv) medical services for employees; (v) civil/works contract services (earth pits, manholes, STP, canteen/gas bunk renovation); (vi) servicing of canteen equipment / Sodexo meal pass booklets; (vii) transport-coordination services, *etc.*

2.2 Four Show Cause Notices were issued on the grounds of avilment of ineligible CENVAT Credit. The period of dispute is April 2010 to March 2015. The Adjudicating Authority vide Order in Originals No 464-467/2015-ADC dated 30.10.2015 confirmed recovery of CENVAT credit (under Rule 14 CCR) with interest and imposed penalties under Rule 15 CCR. Aggrieved, the Appellant filed Appeal before the Commissioner (Appeals), who after due process of Law rejected the Appeal.

2.3 Once again aggrieved, the Appellant challenges the Impugned Order before this Tribunal.

3. The Ld. Advocate Mr. Joseph Prabakar appeared on behalf of the Appellant and advanced detailed submissions in support of the Appeal and the Ld. Authorized Representative Mr. M. Selvakumar, appeared for the Revenue and defended the Impugned Order.

4. The Ld. Advocate Mr. Joseph Prabakar, appeared for the Appellant and made the following submissions which are summarized as below: -

4.1 The definition of "input service" (Rule 2(I) of CCR 2004) is wide and includes services used "in relation to the manufacture" and "activities relating to business". Many of the services contested are integrally connected with manufacturing/clearance or are part of business activities and therefore eligible for credit.

4.2 Escort/security services and transport coordination are essential to deliver high-value, time-bound consignments to customers and these are outward transportation related up to place of removal and hence eligible.

4.3 Agencies engaged to collect C-Forms/payments are performing a commercial function necessary to achieve sale at concessional rate; such services are business-related and therefore eligible.

4.4 Medical services, canteen services, gardening, Sodexo cards, employee transport services are necessary business expenses; prior to 01.04.2011 the inclusive definition covered "activities relating to business", and therefore credit is allowable for the pre-1.4.2011 period; where the Rule was amended w.e.f. 01.04.2011, prospective exclusion should be read narrowly.

4.5 Works/repair/renovation for canteen, STP, gas bunk etc. are maintenance/repair and not construction of building/foundation for capital goods and they fall within the limb (modernisation/renovation/repairs) and credit is allowable, particularly for works preceding 01.04.2011.

4.6 Interest under Rule 14 should not apply where the Appellant had adequate CENVAT credit balance and where credits were not utilized for payment of excise duty; penalties are not justified because the dispute is interpretational and there is no *mens rea* or deliberate concealment.

4.7 Appellant relied upon : *Manikgarh Cement (Tri-Mumbai)*, *Coca-Cola v. CCE (Bombay HC)*, *Maruti Suzuki Ltd. v. CCE (SC)*, *Rane TRW (Madras HC)*, *Millipore (Kar HC)*, *Tyco Sanmar (Tri-Madras)*.

5. The Ld. Authorized Representative Mr. M. Selvakumar supported the findings in the impugned Order and submitted that the inclusive portion of the definition of “input service” under Rule 2(I) cannot be read independently and every service claimed must satisfy the main limb requirement of nexus or integral connection with manufacture or clearance of final products up to the place of removal, as laid down by the Hon’ble Supreme Court in *Maruti Suzuki Ltd.* and followed by this Tribunal in *Sundaram Brake Linings*. It was contended that several disputed services, such as escort/security provided beyond the place of removal and collection of C-Forms/payments, are clearly post-removal activities and therefore not eligible for credit. The learned A.R. further argued that with effect from 01.04.2011, specific statutory exclusions were introduced in Rule 2(I) covering services such as medical, canteen, employee transportation and outdoor catering, rendering credits taken thereafter inadmissible. It was also submitted that works contract and construction services relating to canteen, STP and gas bunk renovations are expressly

excluded under the amended definition. Accordingly, it was urged that the denial of credit, along with imposition of interest and penalty, was justified and required no interference.

6. We have carefully heard the submissions advanced by both sides, examined the appeal records in detail, considered the statutory provisions, notifications and circulars and the case Laws cited.

7. Upon such comprehensive consideration, the following issues arise for our determination in this appeal as to whether the CENVAT Credit on: -

- i. escort / security personnel deputed along with goods to customer sites eligible as CENVAT credit?
- ii. transport-coordination services (for movement of goods / coordination with carriers) admissible?
- iii. services of agents engaged to collect C-Forms / payments admissible?
- iv. gardening, medical, canteen/food services, Sodexo meal pass and employee transport admissible considering the pre-1.4.2011 and post-1.4.2011 positions?

- v. construction / works contract services (earth pit, manhole chamber, STP, gas bunk, renovation) admissible?
- vi. Is interest under Rule 14 / Section 11AA properly levied and is imposition of penalties under Rule 15 CCR warranted?

Escort / Security Personnel Deputed Along with Goods to Customer Sites

8.1 The first issue for determination is whether the Appellant is entitled to CENVAT credit of service tax paid on escort/security personnel deputed along with high-value consignments during transit to customer sites. The Department has denied such credit on the ground that these services are rendered beyond the "place of removal" and therefore fall outside the scope of "input service" under Rule 2(I) of the CENVAT Credit Rules, 2004. The Appellant contends that escort/security services are an integral part of contractual delivery obligations, particularly in respect of sensitive and high-value transmission equipment, and are essential to ensure safe clearance and delivery. It is submitted that such services cannot be treated mechanically as post-removal activities unless the contractual "place of removal" is first ascertained in terms of Section 4 of the Central Excise Act.

8.2 We find considerable force in the submission that the “place of removal” is not invariably the factory gate, but depends upon the terms of sale, transfer of property in goods, and allocation of risk between the parties. The Hon’ble Supreme Court in *CCE v. Roofit Industries Ltd., 2015 (319) E.L.T. 221 (S.C.)*, held that where the manufacturer bears the responsibility and risk till delivery at the buyer’s premises and the sale is completed only upon such delivery, the buyer’s premises may constitute the place of removal. The same principle was reiterated by the Hon’ble Supreme Court in *CCE v. EMCO Ltd., 2015 (322) E.L.T. 394 (S.C.)*, wherein it was held that in FOR destination contracts, the place of removal may extend up to the customer’s premises if the ownership and risk remain with the seller till delivery. Thus, outward services connected with delivery obligations cannot be excluded automatically without examining whether the clearance is completed at the factory gate or at the destination point under the contract.

8.3 This legal position has also been acknowledged by the Central Board. CBIC, vide Circular No. 1065/4/2018-CX dated 08.06.2018 (F. No. 116/23/2018-CX-3), issued after the judgments in Roofit Industries and EMCO Ltd., clarified that the determination of “place of removal” must be made with reference to the point of sale, transfer of title, and

contractual intention, and that outward services cannot be denied merely on the assumption that factory gate is always the place of removal. In the present case, escort/security services are directly linked with safeguarding consignments during outward movement and may qualify as input services if the place of removal extends beyond the factory gate. However, since the relevant purchase orders, delivery terms, insurance/risk clauses and contractual documents have not been placed before us in sufficient detail, we are unable to conclusively determine admissibility. Accordingly, this issue is remanded to the adjudicating authority for the limited purpose of verifying the contractual place of removal and thereafter deciding eligibility of credit on escort/security services strictly in terms of *Roofit Industries Ltd., 2015 (319) E.L.T. 221 (S.C.)*, *EMCO Ltd., 2015 (322) E.L.T. 394 (S.C.)*, and CBIC Circular No. 1065/4/2018-CX dated 08.06.2018, after affording due opportunity to the Appellant.

Transport Coordination Services (Employee Transportation)

9.1 The second issue relates to the admissibility of CENVAT credit on “transport coordination services”. The Commissioner (Appeals) has recorded a categorical finding that the disputed service does not pertain to coordination of outward transportation of finished goods, but essentially relates to arranging transportation for employees, and was

therefore treated as an employee commuting/welfare facility. The eligibility of CENVAT credit on such employee transportation services has to be examined distinctly for the period prior to and after 01.04.2011, in view of the statutory amendment to Rule 2(I) of the CCR.

9.2 For the period prior to 01.04.2011, the definition of "input service" was of wide amplitude and included the expression "activities relating to business". Under this broader regime, certain High Courts have taken the view that employee transportation services, being necessary for ensuring availability of manpower and smooth functioning of the factory, would qualify as eligible input services. In particular, the Karnataka High Court in *CCE v. Stanzen Toyotetsu India Pvt. Ltd., 2011 (23) STR 444 (Kar.)* held that transportation of employees and allied welfare facilities are closely connected with the business operations of a manufacturing unit and therefore admissible as input services. Accordingly, following the said ratio, credit on employee transportation/transport coordination services is allowable for the period prior to 01.04.2011.

9.3 However, with effect from 01.04.2011, Rule 2(I) was amended and an express exclusion was introduced denying credit on services used primarily for personal use or

consumption of employees, including rent-a-cab and travel-related benefits. After this amendment, employee transportation services stand specifically excluded from the scope of "input service". The Hon'ble Supreme Court in *Solar Industries India Ltd. v. CCE, Nagpur, 2022 (64) GSTL 257 (SC)* has categorically held that transportation of employees through rent-a-cab/employee transport services has no nexus with manufacture and is barred by the exclusion clause post-amendment. The Chennai Bench in *Verizon Data Services India Pvt. Ltd. v. CST, Chennai, Final Order Nos. 40299-40309/2022 dated 24.08.2022* (para 7.2.1) has also reiterated that employee welfare services such as rent-a-cab and similar benefits are not eligible for credit after 01.04.2011. Therefore, credit on transport coordination services relating to employee movement is inadmissible for the period from 01.04.2011 onwards, and the disallowance is upheld for the post-amendment period.

Agents Engaged to Collect C-Forms / Payments

10.1 The third issue relates to the admissibility of CENVAT credit on service tax paid to agencies engaged for collection of C-Forms and follow-up for realization of payments from customers. We find that such services are clearly post-sale and post-removal commercial activities undertaken after clearance of the goods. Collection of

statutory declaration forms under the CST regime and recovery of sale proceeds arise only after the transaction of sale is completed and do not contribute either directly or indirectly to the process of manufacture, nor do they fall within the scope of “clearance of final products up to the place of removal” under Rule 2(I) of the CENVAT Credit Rules, 2004.

10.2 Even though the definition of “input service” prior to 01.04.2011 included the expression “activities relating to business”, it is well settled by the Hon’ble Supreme Court in *Maruti Suzuki Ltd. v. CCE, 2009 (240) E.L.T. 641 (S.C.)* and by the Bombay High Court in *Ultratech Cement Ltd. v. CCE, 2010 (260) E.L.T. 369 (Bom.)* that the inclusive portion cannot enlarge the scope to cover remote post-clearance financial or documentation activities having no integral nexus with manufacture. Therefore, credit on services relating to collection of C-Forms/payments is inadmissible even for the pre-01.04.2011 period, and the position is even more explicit against the Appellant after 01.04.2011 when the definition was further narrowed. Accordingly, the disallowance is upheld for the entire period and is answered against the Appellant.

Gardening, Sodexo, Medical and Canteen Services

11.1 The next issue concerns admissibility of CENVAT credit on gardening services, Sodexo meal passes, medical services and canteen/outdoor catering charges. At the outset, it is necessary to note the distinction between the pre-01.04.2011 regime, when Rule 2(I) contained the wide phrase “activities relating to business”, and the post-01.04.2011 regime, when a specific exclusion clause was introduced denying credit on services used primarily for personal use or consumption of employees. Thus, eligibility must be tested separately in the light of the statutory amendment and binding precedents.

11.2 Insofar as gardening services are concerned, we find that such services stand on a different footing. The Appellant contends that gardening was undertaken for maintenance of mandatory green belt and compliance with environmental and pollution control norms. The Chennai Bench in *CETEX Petrochemicals Ltd. v. Commissioner of CGST & Central Excise, Chennai, 2025 (1) TMI 1694 (CESTAT Chennai)* has held that gardening/housekeeping services connected with statutory compliance and factory upkeep may qualify as eligible input services even after 01.04.2011, subject to factual verification. Similarly, the Hyderabad Bench in *Sai Life Sciences Ltd. v. CCE,*

Hyderabad, 2017 (51) STR 55 (Tri.-Hyd.) recognized that green belt maintenance, being linked to statutory obligations of a manufacturing unit, cannot be treated as mere beautification or employee consumption. However, since the present record does not contain sufficient documentary proof such as Pollution Control Board directions, environmental clearances or work orders establishing statutory nexus, we consider it appropriate to remand this limited issue for verification. Credit on gardening shall be allowed only if the adjudicating authority finds that it was mandated for statutory green belt/environmental compliance.

11.3 With regard to Sodexo meal passes, medical services and canteen, the position is materially different. Post 01.04.2011, these services are expressly excluded under Rule 2(I) being primarily for personal use or consumption of employees. The Chennai Tribunal in *Verizon Data Services India Pvt. Ltd. v. CST, Chennai, Final Order Nos. 40299-40309/2022 dated 24.08.2022* (para 7.2.1) has specifically held that Sodexo passes, health services and similar employee-oriented benefits are not eligible after 01.04.2011 treating them as employee consumption services. Even for the pre-01.04.2011 period, such services would be admissible only where statutory compulsion under the Factories Act and direct nexus are established, which is

not demonstrated on record in the present case. Accordingly, credit on Sodexo meal passes, medical and canteen services is disallowed, while gardening alone is remanded for limited verification.

Construction / Works Contract / Civil Services

12.1 The next issue concerns the admissibility of CENVAT credit on civil/works contract related services such as earth pits, manholes, sewage treatment plant works, renovation of canteen facilities, gas bunk renovation and other allied civil activities undertaken in the factory premises. The eligibility of credit on such services has to be examined with reference to Rule 2(I) of the CENVAT Credit Rules, 2004, and more particularly, the legal position prevailing prior to and after the amendment w.e.f. 01.04.2011.

12.2 Prior to 01.04.2011, the definition of "input service" included services used in relation to "modernisation, renovation or repairs of a factory". Under the pre-amendment regime, civil works connected with maintenance or operational efficiency of the factory could qualify as eligible input services, provided they satisfied the nexus test and were not in the nature of new construction of immovable civil structures unrelated to manufacture. However, with

effect from 01.04.2011, Rule 2(l) was consciously amended and a specific exclusion clause was inserted expressly barring credit on "service portion in the execution of works contract and construction services" insofar as they are used for construction of a building or civil structure or laying of foundation or making of structures for support of capital goods.

12.3 In the present case, the disputed services pertain to civil activities such as earth pits, manhole chambers, STP works and renovation of canteen/gas bunk facilities. The Appellant contends that these were not new construction activities but were in the nature of repair, renovation and maintenance required for continued factory operations. We find that the eligibility of such services depends entirely upon the nature and scope of work executed, which can be determined only upon examination of work orders, invoices, completion certificates and descriptions of the activities undertaken. Since no such detailed documentary evidence has been placed before us, a final determination cannot be rendered at this stage. Accordingly, this issue is remanded to the adjudicating authority for the limited purpose of verifying whether the impugned activities constitute admissible repairs/renovation/modernisation or inadmissible construction/works contract

services hit by the exclusion clause post-01.04.2011, and thereafter to decide admissibility strictly in accordance with Rule 2(I).

Interest, Penalty and Invocation of Extended Period

13.1 Since substantial issues relating to escort/security services, gardening and works contract/civil services are being remanded for limited verification, the determination of interest and penalty cannot be finalized at this stage and shall necessarily depend upon the outcome of fresh adjudication on remand.

13.2 However, insofar as the question of limitation and invocation of the extended period is concerned, we find that the Department has rightly invoked the proviso to Section 11A of the Central Excise Act, 1944. The period of dispute in the present case extends from April 2010 to March 2015, covering both the pre-amendment and post-amendment regime of Rule 2(I). With effect from 01.04.2011, the definition of "input service" was substantially narrowed by insertion of a clear and unambiguous exclusion clause, specifically barring credit on services used primarily for personal use or consumption of employees, such as outdoor catering, health services, employee transportation, Sodexo passes and other welfare-

oriented benefits. The statutory intent post-01.04.2011 was explicit and left no scope for continued availment of credit on such excluded services.

13.3 In the present case, we find that despite the statute being clear, the Appellant continued to avail CENVAT credit even after 01.04.2011 on services which were plainly hit by the exclusion clause, such as Sodexo meal passes, medical services, canteen/outdoor catering and employee transport coordination services. These services are neither directly nor indirectly connected with manufacture or clearance of final products, and are expressly excluded by law. The continued availment of credit on such services, notwithstanding the clear statutory prohibition, cannot be treated as a mere interpretational dispute, but constitutes availment in contravention of the CCR provisions.

13.4 Further, the Appellant, being a large manufacturer with an established tax compliance structure, was expected to be fully aware of the statutory amendment and exclusions brought into force w.e.f. 01.04.2011. The availment of credit on services which are expressly barred indicates suppression of material facts and contravention with intent to avail inadmissible benefit. Therefore, the

extended period of limitation is clearly invocable in the facts and circumstances of the case.

13.5 Accordingly, we uphold the invocation of the extended period for recovery of inadmissible credit on those services which are conclusively held to be excluded and ineligible. The adjudicating authority, while re-computing the demand upon remand, shall apply the extended period wherever the credit pertains to services clearly hit by the exclusion clause and not forming part of the remanded issues.

13.6 As regards interest, it is settled that interest under Rule 14 is attracted when credit is wrongly taken and utilized. The adjudicating authority shall verify the extent of utilization of inadmissible credit and thereafter determine interest liability accordingly.

13.7 Penalty, if any, shall also be reconsidered after re-adjudication. However, in view of the sustained invocation of the extended period and continued availment of excluded credits post-01.04.2011, the adjudicating authority shall examine applicability of penalty provisions under Rule 15 of the CENVAT Credit Rules, 2004 in accordance with law.

14. In view of our detailed findings recorded hereinabove, we conclude that the admissibility of CENVAT credit in the present appeal depends upon the nature of the disputed services, the statutory amendment to Rule 2(l) of the CENVAT Credit Rules, 2004 w.e.f. 01.04.2011, and the factual nexus required to be established through supporting documents. Accordingly, the issue relating to escort/security services deputed along with goods during transit (Q1) is remanded to the adjudicating authority for limited verification of contractual terms, purchase orders, delivery obligations and determination of the correct "place of removal" in the light of the law laid down by the Hon'ble Supreme Court in *Roofit Industries Ltd. v. CCE, 2015 (319) ELT 221 (SC)* and CBEC Circular No. 988/12/2014-CX dated 20.10.2014. Likewise, gardening/green belt maintenance services (part of Q4) are remanded only for the limited purpose of verifying whether such activity was undertaken pursuant to statutory environmental requirements, in terms of the decisions in *CETEX Petrochemicals Ltd., 2025 (1) TMI 1694 (CESTAT Chennai)* and *Sai Life Sciences Ltd., 2017 (51) STR 55 (Tri.-Hyd.)*. Further, the issue of civil/works contract services is also remanded for limited verification to ascertain whether the impugned activities are in the nature of admissible repairs / renovation / modernisation or

inadmissible construction/works contract services hit by the exclusion clause post-01.04.2011.

15. Insofar as the remaining services are concerned, we uphold the disallowance of credit on collection of C-Forms/payments services as being post-removal commercial activities not covered under Rule 2(l). Credit on transport coordination services relating to employee transportation is allowed only for the period prior to 01.04.2011 following *Stanzen Toyotetsu India Pvt. Ltd., 2011 (23) STR 444 (Kar.)*, but is disallowed from 01.04.2011 onwards in view of the statutory exclusion and the binding judgment of the Hon'ble Supreme Court in *Solar Industries India Ltd. v. CCE, 2022 (64) GSTL 257 (SC)*. Credit on Sodexo meal passes, medical services and canteen/outdoor catering services is rejected, particularly for the post-amendment period, being expressly excluded and covered by the decisions in *Verizon Data Services India Pvt. Ltd., Final Order Nos. 40299-40309/2022 dated 24.08.2022* (para 7.2.1). Interest and penalty, if any, shall be purely consequential and shall be re-determined only after fresh adjudication on remand.

16. The appeal is thus partly allowed by way of limited remand only on escort/security services, gardening services, and works contract/civil services, while the

remaining disallowances are sustained in the above terms. The invocation of the extended period is upheld, as the Appellant continued to avail CENVAT credit on services clearly excluded under Rule 2(I) post-01.04.2011 in contravention of the statutory provisions. Interest and penalty, if any, shall be consequential and shall be re-determined after fresh adjudication. The Adjudicating Authority shall pass a fresh order after affording due opportunity of hearing to the Appellant.

(Order pronounced in open court on 04.02.2026)

Sd/-
(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

MK

Sd/-
(P. DINESHA)
MEMBER (JUDICIAL)